

# Annual Audit and Inspection Letter

Darlington Council

Audit 2007/08

**March 2009**

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# Contents

<b>Key messages</b>	<b>3</b>
<b>Purpose, responsibilities and scope</b>	<b>4</b>
<b>How is Darlington Council performing?</b>	<b>5</b>
<b>The audit of the accounts and value for money</b>	<b>11</b>
<b>Looking ahead</b>	<b>13</b>
<b>Closing remarks</b>	<b>14</b>

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
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# Key messages

- 1 The Audit Commission's overall judgement is that Darlington Council is improving strongly. It can demonstrate improvements in each of its top three priorities: improving the local economy, raising educational attainment and promoting inclusive communities.
- 2 The Council, in partnership with others, delivers good outcomes for children and young people and for adults, with good and excellent capacity to improve respectively.
- 3 Improvements to the local economy have been sustained in the last year, against an increasingly grave economic backdrop both nationally and internationally.
- 4 The Council improved its overall use of resources score in 2008 from 3 to 4 primarily through by enhancements in accounts closedown procedures and developments in partnership governance.
- 5 The accounts that were presented for audit were substantially free from error and were supported by comprehensive and clear working papers.

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### Action needed by the Council

- 6 The Council needs to build on its existing partnerships to ensure a determined and focussed drive towards delivering excellent outcomes for children, young people and adults.
- 7 The Council needs to maintain its strong community leadership role, working in partnership locally, across the Tees Valley and regionally to minimise the risks posed by the economic downturn.
- 8 To consolidate, and build upon, the robust process adopted for the closure of the 2007/08 accounts, the Council should monitor and prepare for significant changes in local authority accounting guidance in the next few years - particularly in relation to the introduction of international financial reporting requirements.
- 9 Similarly, the Council has to prepare for fundamental revisions in the use of resources assessment that will be applied to Councils in 2009. The proposals for the revised assessment are focussed more clearly on outcomes and encompass a wider range of council activities.

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# Purpose, responsibilities and scope

- 10 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter. [It also includes the results of the most recent corporate assessment.]
- 11 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 12 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). (In addition the Council is planning to publish it on its website).
- 13 Your appointed auditors, PricewaterhouseCoopers LLP (PwC) are responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, your appointed auditors review and reports on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 14 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 15 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

# How is Darlington Council performing?

16 The Audit Commission’s overall judgement is that Darlington Council is improving strongly and we have classified Darlington Council as four star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results:

**Figure 1 Overall performance of district councils in CPA**



Source: Audit Commission

### Our overall assessment - the CPA scorecard

**Table 1 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving strongly
<b>Overall</b>	<b>4</b>
Corporate assessment/capacity to improve	3 out of 4
Current performance	
Children and young people*	3 out of 4
Social care (adults)*	3 out of 4
Use of resources*	4 out of 4
Housing	4 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	4 out of 4

(Note: \* these aspects have a greater influence on the overall CPA score)  
(1 = lowest, 4 = highest)

### The improvement since last year - our Direction of Travel report

- 17** Darlington Borough Council is improving strongly. It can demonstrate improvements in each of its top three priorities: improving the local economy, raising educational attainment and promoting inclusive communities. Improved attainment at GCSE has been particularly notable, rising from 60 to 69 per cent gaining five A\* to C grades. The number of pupil exclusions has reduced dramatically, albeit from a high level. The Council has made a significant contribution to strengthening Darlington's economy, particularly in terms of jobs and wage levels. Performance in housing and adult social care remains strong and crime has continued to reduce. The council manages its resources effectively and value for money remains excellent.
- 18** The Council has successfully developed with partners a new Sustainable Community Strategy. Its ongoing implementation provides a basis for excellent partnership working. Planning for further improvement is robust. The Council has sufficient capacity to implement its plans. As a very small council, it has actively sought ways to increase capacity though improved working with the voluntary sector and a partnership with a neighbouring council to deliver back office functions.

### Report

- 19** The Council has maintained its good progress over the last year and increased the pace of improvement in key areas. It can demonstrate improvements for local people

## How is Darlington Council performing?

in each of its top three priorities: improving the local economy, raising educational attainment and promoting inclusive communities. Overall satisfaction with the Council remains stable at 62 per cent, a comparatively high level. The number of Best Value performance indicators in the top quartile increased from 32 per cent to 39 per cent, against an average for single tier and county councils of 30 per cent, and the relatively small number of PIs in the bottom quartile reduced further.

- 20 Improvements to the local economy have been sustained in the last year. In 2007/08 the proportion of unemployed people out of work for more than a year went down and the gap between the Darlington and the national unemployment rate reduced. The gap between the wards with the highest and lowest unemployment rates narrowed during 2008. Average wage levels, a source of concern in the past, have increased. In the Financial Times 2008 UK Competitiveness Index, Darlington's economic competitiveness was rated the second most improved in the country. While private sector lettings have continued at the town's business parks, in particular Morton Palms, the Council has successfully worked to bring more public sector jobs to the town with the relocation of the Student Loans Company and the establishment of the Investigating and Safeguarding Authority.
- 21 Services for children and young people have improved and longstanding areas of underperformance are starting to turn around. In 2008 the percentage of pupils gaining more than five A\* to C grades at GCSE increased dramatically from 60 to 69 per cent (including the new academy). Standards at key stage 1 improved in 2008 on eight of the eleven indicators, with many of the biggest improvements in schools serving the most disadvantaged communities. High rates of pupil exclusion and non-attendance have been addressed rigorously and with considerable success. For example, exclusions reduced by 56.5 per cent over the year. Targeted work as part of the Darlington pilot Local Area Agreement is paying dividends. For example, the number of teenage conceptions has reduced at a significantly faster rate than in similar councils and the national average and the number of mothers who breastfeed has increased significantly.
- 22 The Council has continued to make progress in its third key priority of promoting inclusive communities. Equality impact assessments are increasingly effective. For example, an assessment resulted in modifications to the charging policy for adult social care, so improving support for people with disabilities. Over the year new approaches to community engagement, including 'Talking Together' events, have been refined in the light of experience, successfully involving more local people. These have included sessions for people with visual impairments, people with hearing impairments and older people. The Council has significantly improved the time taken to process housing benefit claims and all the indicators on this work have moved from second to first quartile. For the third year running, the Council has achieved the top rating of three stars for adult social care performance, judged good at delivering outcomes with excellent capacity for improvement.
- 23 Last year's Direction of Travel assessment noted significant reductions in levels of crime in the first half of 2007/08. These reductions were sustained over the year as a whole. Between March 2007 and March 2008, overall crime (PSA1) reduced by 25 per cent. Since then the trend has continued in the right direction with total crime in the first half of 2008/09 five per cent below target.

## How is Darlington Council performing?

- 24 One of the Council's strongest functions, housing, has continued to improve further. Eleven out of twelve relevant performance indicators are in the top two quartiles and ten out of twelve improved in the last year. The Council has maintained its record of having all its homes meet the decent homes standard.
- 25 Planning was identified as a weakness for the Council in last year's assessment. Performance in 2007/08 did not improve much. However, a comprehensive external peer review and the consequent implementation of new ways of working are now making a difference. The period April to September 2008 shows significant improvement in the time taken to process applications, with a 43 per cent improvement on major applications, six per cent on minor applications and seven per cent on other applications.
- 26 Waste management performance continues to be relatively poor, even though it is improving. A new waste disposal contract offers the prospect of significant improvement from April 2009. In the meantime recycling and composting rates went up but not as fast as in other councils. The Council has continued to reduce the amount of household waste it collects. The Council has retained its score of three out of four for the CPA environment block.
- 27 Local residents increasingly appreciate what Darlington has to offer in terms of leisure and culture. Satisfaction rates on major facilities like the Civic Theatre, the Dolphin Centre and the Arts Centre, have all improved, as has satisfaction with parks and open spaces. South Park gained Green Flag status, following a major programme of restoration and refurbishment. A new museum, 'Head of Steam', opened during the last year. The participation of people in 'Zone Active' leisure activities nearly doubled. After a dip last year, the Council has regained its score of three out of four for culture.
- 28 The Council provides excellent value for money. For the second year running it has achieved the maximum score on this aspect of the Use of Resources judgement. On two other aspects, financial reporting and internal control, the Council has this year improved its score to the maximum, now achieving an overall score of four out of four.
- 29 A new Sustainable Communities Strategy, 'One Darlington: Perfectly Placed', and the associated Local Area Agreement have been successfully negotiated and launched during the past year. This reflects what the recent corporate assessment regarded as 'well regarded, mature and highly effective community leadership', building on strong partnership working. Improvement planning is intimately connected to these developments. The corporate plan clearly articulates how the Council will deliver its revised priorities and this is underpinned by robust service planning arrangements.
- 30 The corporate assessment judged that the Council had sufficient capacity to deliver its plans. Capacity is enhanced through the Council's mature approach to partnership working. Joint working with the voluntary sector has improved. In the last year the Stockton-Darlington partnership to deliver key 'back office' functions like ICT and transactional human resources has become operational. As a result of more rigorous management action, levels of sickness absence have improved from an average of 10.75 days to 9.77 days, though this is still only third quartile performance.
- 31 Corporate governance is sound. Councillors and officers work well together and are clear about their roles and responsibilities within effective decision making processes.

## How is Darlington Council performing?

Scrutiny is effective. No significant weaknesses are apparent that would prevent improvement levels being sustained.

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### Service inspections

- 32** An important aspect of the role of the Comprehensive Area Assessment Lead is to work with other inspectorates and regulators who also review and report on the Council's performance. CAALs share information and seek to provide 'joined up' regulation to the Council. During the last year the Council has received the following assessments from other inspectorates.
- 33** The annual performance assessment (APA) of services for children and young people concluded the following:

Darlington Borough Council makes a good contribution to improving outcomes for children and young people. It consistently delivers services that are above minimum requirements and has established a record of strong performance.

The council's capacity to improve its services for children and young people is good. Its management of these services is also good.

- 34** The annual performance assessment of social care services for adults services gave the following judgements:

Areas for judgment	Grade awarded
Delivering Outcomes	Good
Improved health and emotional well-being	Excellent
Improved quality of life	Good
Making a positive contribution	Good
Increased choice and control	Good
Freedom from discrimination and harassment	Good
Economic well-being	Good
Maintaining personal dignity and respect	Good
Capacity to Improve (Combined judgment)	Excellent
Leadership	Excellent
Commissioning and use of resources	Excellent
Performance Rating	3 Stars

### Benefits

- 35** From 2008 the Benefits Fraud Inspectorate has been merged with the Audit Commission which will carry out a risk-based programme of benefits inspections in the future. No such inspections were carried out in 2007/08.

### Health Inequalities

- 36 The North East acknowledges that it has many areas with the poorest health in the country. The regional health and well-being strategy, launched in February 2008, aims to transform the North East into the healthiest region in the country within a generation. There have been improvements in health, for example premature death rates from heart disease and stroke are rapidly improving across the region and life expectancy continues to rise.
- 37 However, inequalities still exist. Many areas in the North East are not on track to meet the national target - by 2010 to reduce by at least 10 per cent the gap in life expectancy at birth between the fifth of areas with the worst health and deprivation indicators (the Spearhead Group) and the population as a whole.
- 38 Improving people's chances in life relies on action in many areas, through for instance education and employment opportunities, access to good housing, as well as cultural change. These issues cannot be tackled by one agency but need a concerted effort from public and private sector and individuals across the North East.
- 39 The Audit Commission and Deloitte have been reviewing how organisations across the North East work together to address health inequalities and what the challenges are.
- 40 Last year we looked at how councils, police, PCTs, trusts and other public sector bodies and the community and voluntary sector partners within areas across the north east were working together. This work concluded that in general, areas were good at identifying the problem and agreeing priorities but less good at developing targeted strategies, commissioning and delivery of services and monitoring and evaluating.
- 41 The final phase of our work has focused on the arrangements and action being taken in relation to two issues, alcohol harm and teenage pregnancy, which have an impact on health inequalities in the North East. We have carried out detailed reviews in four areas; Durham, North Tyneside, Stockton and Sunderland, to identify enablers and barriers to tackling health inequalities.
- 42 We will be drawing on the results of these four reviews and wider research from our first phase of work to produce a region-wide report on health inequalities which will contain key messages for all partners on the impact our local findings could have on the wider health inequalities agenda.

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# The audit of the accounts and value for money

43 Your appointed auditors, PwC, have reported separately to the Audit Committee on the issues arising from our 2007/08 audit and have issued:

- an audit report, providing an unqualified opinion on your accounts and a conclusion on your vfm arrangements to say that these arrangements are adequate on 30 September 2008: and
- a report on the Best Value Performance Plan confirming that the Plan has been audited.

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## Use of Resources

44 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
- Financial management (including how the financial management is integrated with strategy to support council priorities).
- Financial standing (including the strength of the Council's financial position).
- Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
- Value for money (including an assessment of how well the Council balances the costs and quality of its services).

45 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

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**Table 2**

<b>Element</b>	<b>Assessment</b>
Financial reporting	4 out of 4
Financial management	3 out of 4
Financial standing	3 out of 4
Internal control	4 out of 4
Value for money	4 out of 4
<b>Overall assessment of the Audit Commission</b>	<b>4 out of 4</b>

Note: 1 – lowest, 4 = highest

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- 46 Darlington Borough Council improved its overall use of resources score from 3 in 2007 ('performing well') to 4 ("performing strongly") in 2008. This represents a significant achievement against a background in which the assessment has, once again, become more demanding. The change in the score in 2008 was driven by enhancements in the Council's accounts closedown procedures and by developments in partnership governance.

### The key issues arising from the audit

#### Accounts

- 47 The Council's 2007/08 accounts were certified with a clear audit report on the target date of 30 September 2008. The accounts that were presented for audit were substantially free from error and were supported by comprehensive and clear working papers.

#### Use of resources conclusion

- 48 PwC reviewed the arrangements that the Council had put in place for securing economy, efficiency and effectiveness in its use of resources. This involved an assessment cross twelve criteria. The results were satisfactory and were reported in the value for money conclusion on the accounts which stated that: "Darlington Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008."

#### Data quality

- 49 PwC reviewed the management arrangements in place at Darlington Borough Council to secure data quality during 2007/08 and concluded that the Council was 'performing well'.
- 50 In support of this assessment, PwC conducted detailed reviews of the accuracy of six reported performance indicators. All of these had been stated accurately by the Council and no amendments were required.

#### Grant claims and returns

- 51 PwC certified 10 grant claims and returns in 2007/08 for Darlington Borough Council with no claims outstanding for certification. Two of these were qualified and two were submitted to the auditors after the deadline prescribed by the funding bodies.

## Looking ahead

- 52** The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 53** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.

The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

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# Closing remarks

- 54 This letter has been discussed and agreed with the Chief Executive. A copy of the letter will be presented at the cabinet on 31st March 2009. Copies need to be provided to all Council members.
- 55 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

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**Table 3      Reports issued**

Report	Date of issue
Audit and inspection plan	March 2007
ISA 260 Report to hose charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Annual audit and inspection letter	March 2009

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- 56 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

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## Availability of this letter

- 57 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Philippa Corner**

**Comprehensive Area Assessment Lead**

March 2009